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MACROECONOMIC POLICY QUESTIONS: EXTERNAL DEBT CRISIS AND DEVELOPMENT

Philippines* and Colombia**: draft resolution

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, 45/214 of 21 December 1990, 46/148 and 46/151 of 18 December 1991 and 47/198 of 22 December 1992, and reaffirming its resolutions 48/182 of 21 December 1993 and 49/94 of 19 December 1994,

Reaffirming its resolution 48/165 of 21 December 1993 on the renewal of the dialogue on strengthening international economic cooperation for development through partnership and 48/166 of 21 December 1993 on an agenda for development,

Reaffirming also the urgent need for a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries,

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* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

** On behalf of the States Members of the United Nations that are members of the Movement of Non-Aligned Countries.

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Stressing the urgent need for further improving the debt situation of developing countries in view of the continued unsustainable level of the total debt stock and debt-servicing burden,

Noting the urgent need for further enhancing the implementation of various debt-relief measures undertaken by creditor countries both within the framework of the Paris Club and through their cancellations and equivalent relief of bilateral official debt,

Noting also that, owing to uneven developments within the context of the evolving international debt strategy, further progress, including new and concrete measures and innovative approaches, is required to contribute to a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries,

Noting with concern the continuing debt and debt-service burden associated with various types of debt: commercial, bilateral and multilateral,

Noting also with concern the urgent need to fully address the problem of the combined external debt stock of developing countries, bearing in mind the special and critical situation of the most indebted developing countries in Africa and the least developed countries,

Emphasizing the need for the consideration of new and innovative forms of relief from debt-servicing obligations arising out of multilateral lending operations which has so far been excluded from explicit debt restructuring,

Expressing its concern that, despite the determined efforts undertaken by developing countries in terms of implementing continuous economic reforms and structural adjustments, the burden of debt and debt service of these countries continues to be a major obstacle to their sustained economic growth and sustainable development,

Expressing also its concern that serious external and domestic financial constraints have been experienced by developing countries that have continued to meet their international debt and debt-service obligations in a timely fashion,

Expressing further its concern that debt-relief measures taken so far have not yet fully provided a comprehensive, effective, equitable and durable solution to the outstanding debt and debt-servicing burden of developing countries, in particular the least developed countries,

Welcoming the results of all major United Nations conferences and summits held since the beginning of the 1990s related to development, which recognize the need for a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries and for substantial debt reduction, as well as the mobilization of substantial and additional resources for development, to enable developing countries to achieve sustained economic growth and sustainable development,

Taking note of the results of the Eleventh Conference of Heads of State or Government of the Non-Aligned Countries, held at Cartagena de Indias, Colombia,

from 18 to 20 October 1995, in particular, chapter III, entitled "Economic issues", of the Final Document of the Conference, 1/

Stressing the need for a favourable and supportive international economic environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, in order to enable the developing countries to achieve sustained economic growth and sustainable development and for the international community to provide a durable solution to the external debt problem of developing countries,

Stressing also the need for the adoption of a common set of principles which must include a once-and-for-all arrangement in order to ensure a substantial reduction of all types of external debt of all debtor developing countries and meet the debt-servicing capacities of the developing countries,

Taking note of the statement of the Managing Director of the International Monetary Fund, made during its annual meeting of 1995, that the Fund will continue to answer the calls from countries in crisis in a timely manner,

1. Takes note of the report of the Secretary-General on the developing country debt situation as of mid-1995; 2/

2. Recognizes that a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries will have a substantial impact on sustaining the strength of the global economy and will greatly contribute to efforts of developing countries to achieve sustained economic growth and sustainable development;

3. Also recognizes that a once-and-for-all approach to the external debt problem of developing countries will enable the international community to achieve a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries;

4. Further recognizes that the once-and-for-all approach to the external debt problem of developing countries requires an integrated and coordinated strategy to deal with all types of debts in all debtor countries, the growing total debt stock of developing countries, the further reduction of the debt-service burden, the further flexibility of rescheduled debts, the expansion of existing conversion programmes, and the creation of new, additional and innovative other conversion programmes, and needs to be supported by new financial flows, expansion of finances of multilateral financial institutions, and expansion of International Development Association facilities;

5. Stresses the urgent need for further enhancing the terms agreed upon in the Paris Club, including cancellation or other debt-relief measures, through further liberalization of the eligibility criteria, so that more debt-distressed

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1/ Not yet issued.

2/ A/50/379.

countries can avail themselves of favourable treatment as regards debt consolidation;

6. Also stresses the urgent need for creditor countries, private banks and lending institutions to expand their efforts to address the commercial debt of debt-distressed developing countries, and to extend appropriate new financial support, as well as provide additional and innovative measures, to enable these countries to achieve sustained economic growth and development;

7. Invites creditor countries, private banks and multilateral financial institutions, within their prerogatives, to consider continuing the initiatives and efforts to address the commercial debt problems of the least developed countries and requests for mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help eligible least developed countries reduce their commercial debt and to also consider alternative mechanisms to complement that Facility;

8. Stresses the need for innovative approaches, including formal debt cancellation, to address the multilateral debts of debt-distressed developing countries with a high proportion of multilateral debt, particularly the low-income countries;

9. Also stresses the need to expand the existing modalities for debt cancellation and the agreed terms of debt relief to support adequately the consolidation of various external debts through, inter alia, debt rescheduling arrangements of debt-distressed developing countries, particularly the severely indebted low- and middle-income countries;

10. Further stresses the need for further mechanisms that will enable the review of rescheduled debts and debt services with a view to providing additional flexibility to debt-distressed developing countries, particularly the low-income countries, in their efforts to exit from the continuing heavy burden of external debt and debt service and thus ensure their ability to reverse the deteriorating economic and social conditions in these countries;

11. Further stresses the need for existing facilities to provide debt-relief measures through various debt conversion programmes, such as debt-equity swaps, debt-for-nature-swaps, debt-for-child development swaps, and other debt-for-development swaps, to be broadly implemented and expanded to include more debt-distressed developing countries and involve substantial amounts of debts so that these countries may be ably assisted in their development efforts, as well as to support measures in favour of the most vulnerable segments of their societies;

12. Further stresses the need to explore additional and innovative approaches, including those relating to other social development programmes and projects in conformity with the objectives of the World Summit for Social Development, held in Copenhagen, so as to alleviate substantially the debt burden of developing countries, in particular the low-income countries and the least developed countries;

13. Further stresses the need for new financial flows to debtor developing countries, and urges the creditors and multilateral financial institutions to continue to extend and expand concessional financial assistance, particularly to the least developed countries, in order to enable them to extricate themselves from the debt overhang and to assist them in achieving sustained economic growth and sustainable development, and in this regard the Paris Club creditors are invited to continue to implement expeditiously and flexibly the concessional treatment offered under the Naples terms;

14. Encourages the Bretton Woods institutions to expedite the ongoing consideration of ways to address the issue of the multilateral debt of developing countries, particularly the least developed countries, taking into account, inter alia, the discussions of the meetings of the International Monetary Fund/World Bank Development Committee held on 9 October 1995, and requests the Secretary-General to report to the General Assembly at its fifty-first session on the outcome of the meeting of the Development Committee scheduled for April 1996;

15. Recognizes the need for multilateral financial institutions and development banks to maintain sufficient and sound credit standing, and, in this regard, also recognizes that efforts should be exerted to ensure the implementation of the proposed expansion of the resources at the disposal of the general arrangements to borrow at the International Monetary Fund, as well as Fund quota increases, development banks capital increases and concessional funds replenishment, and calls upon these institutions to adopt flexible terms for the repayment of developing countries' debts;

16. Also recognizes that the once-and-for-all approach to a durable solution of the external debt of developing countries must be accompanied by a favourable and supportive international environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and net food importing countries, 3/ as well as other supportive measures to ensure a definitive resolution of the debt crisis;

17. Calls upon the Managing Director of the International Monetary Fund to devise concrete policy measures and actions to address properly, and in a timely manner, the problems faced by debt-distressed developing countries;

18. Stresses that, besides the issue of the external debt of developing countries, the question of globalized financial flows should be placed at the forefront of the dialogue between the United Nations system and the Bretton Woods institutions;

19. Underscores the need to encourage private flows to developing countries while reducing the systemic risk of volatility, particularly in portfolio flows;

3/ See Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (GATT secretariat publication, Sales No. GATT/1994-7).

20. Urges the developed countries to lower their long-term interest rates, phase out subsidies for their uncompetitive industries, particularly in agriculture, and dismantle protectionist barriers targeted at developing countries;

21. Stresses the urgent need to continue to provide and expand social safety nets on behalf of the disadvantaged and vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups;

22. Urges the international community, particularly the creditor countries and multilateral institutions, as well as commercial banks and other lending institutions, when continuing the implementation of various measures aimed at contributing to the durable solution to the external debt problem of developing countries, as well as when exploring ways of implementing additional and innovative measures to alleviate substantially the external debt and debt-service burden of developing countries, to ensure that the debt strategy evolved through the years and as embodied in various General Assembly resolutions, including the present resolution, is fully implemented and taken into account;

23. Recognizes the urgent need for the international community, so as to assist developing countries, in particular the developing countries, to mobilize the resources needed for their development efforts, and also recognizes that a comprehensive, effective, equitable and durable solution to the external debt problem of developing countries could contribute towards releasing domestic resources and towards sustaining their development efforts, in particular those for social development;

24. Calls upon the international community, including the relevant institutions, to build upon the momentum gained from the various meetings that have addressed debt issues and to address the external debt problem of developing countries, particularly that of the least developed countries, in the elaboration of an agenda for development in order to further promote a comprehensive, effective, equitable and durable solution to the external debt problem of the developing countries;

25. Also calls upon the international community including the United Nations system, and the Bretton Woods institutions, as well as the private sector to take urgent measures and action for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s in order to cancel or to reduce substantially the debt and the debt-service burden of developing countries, particularly the countries in Africa and the least developed countries;

26. Requests the Secretary-General to report to the General Assembly at its fifty-first session on the implementation of the present resolution.